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Is Railroad Regulation Becoming Strangulation?

by

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The railroads in this country are caught in a vise which is being screwed tighter and tighter. Railroads do not oppose proper regulation, but is it not time to inquire whether regulation is not gradually becoming strangulation? Many are the signs now that the grip of cumulative regulation is slowly but surely squeezing out the life-blood of what President Wilson has called "the one common interest of our whole industrial life;" that it is scotching initiative and enterprise; and that it is undermining the ability of the railroads to provide for future public needs.

In our treatment as a people of the railroad question we are obeying literally the scriptural injunction: "Take no thought for the morrow." "The railroad is here," we reason; "it cannot run away; let us get all we can out of it now, because—may be, its stock is watered!"

Mr. Prouty said before the National Association of Railway Commissioners in Washington on Wednesday: "Grave doubts exist as to whether rates must not be generally increased." And then he added, "The question cannot be satisfactorily answered until there is a national valuation of these properties." And Mr. Prouty himself predicted that this valuation would not be arrived at until 1919.

Regulation of railroads—so eminently desirable when proper and not merely political—was originally to prevent discrimination and oppression. In no respect is anything else intended now, but the cumulative effect of laws and commission activities is that this device of statesmanship is being converted into an instrument of torture. In what manner that is true may be realized from the following:

Many States insist upon approving the terms of security issues.

New Jersey insists that grade crossings shall be removed at the sole expense of the railroad. At the meeting of the National Association of Railway Commissioners in Washington, on Thursday, Commissioner Hall, of Nebraska, is reported to have urged that "a concerted effort should be made by all Commissioners in all States that grade crossings should be eliminated at no matter what cost to the railroads." To remove all the grade crossings in the United States would probably cost \$5,000,000,000—one-third of the present total investment in our railroads.

Commissions may order improved stations and the installation of signals; they may tell you where you must and when you cannot stop a passenger train.

They pass upon the quality of the locomotive boiler; they prescribe the character of headlight; they stipulate the kind of ash-pan; and the State of Indiana has now decreed that an automatic door be used on the locomotive fire-box.

The law sets forth where the ladders, bars and other safety devices shall be placed on freight cars.

Commissions decree whether on mountain grades you shall use hand brakes, holding the air brakes in reserve, or air brakes, holding the hand brakes in reserve.

Federal laws stipulate the number of hours men shall work; States tell you how often you must pay your men, and many State laws fix the number of men in a train crew.

The process of manufacture of steel rails and the kind of ties used, are still matters for which railroad officers are responsible, but at the meeting in Washington an Interstate Commerce Com-

missioner called attention, as to an omission requiring repair, to the fact that "railway *material* is in general notable for its exemption from all supervision of any kind—State or Federal."

There is pending in Congress a law limiting the number of freight cars which may be hauled with one locomotive. At the meeting of Commissioners in Washington, a committee recommended that the Interstate Commerce Commission be given full authority to prescribe "the character of equipment to be used in interstate commerce, also authority to prescribe the manner of using or hauling same."

And the most amazing feature of this whole process is that actual experience in the successful conduct of railroad affairs apparently disqualifies a man from appointment to a railroad commission.

In 1913 nearly 1400 laws regulating railroads were introduced in 42 State legislatures. In 1914 only 14 legislatures were in session, but 236 new railway bills were proposed. Of these, 112 provided for some mandatory concessions to employes.

Arbitration commissions establish the rates of wages which shall be paid to employes, but assume no responsibility for obtaining the money with which to pay them.

Local authorities assess railway taxes, but these authorities have no power to help the railroads assess charges out of which to pay these taxes. On the Pennsylvania Railroad in the past fourteen years total wage payments increased 160 per cent. and taxes increased over 200 per cent.

Perhaps expenditure for all these purposes is desirable, but it is certain that it cannot be made unless the railroads receive higher charges for the services they render—and the railroad com-

pany is concerned only that returns as a whole shall be adequate.

Nevertheless, a non-political Congressional Committee reports that the railroads are underpaid for carrying the mails. but Congress takes no steps to provide the additional money.

Many States arbitrarily limit both freight and passenger rates. But even where that is not done, higher rates can only be obtained with the sanction of railway commissions.

Thus hemmed in between Scylla and Charybdis, the railroads have run aground on a long-charted and well-known rock known as the arithmetic table. In concrete form this is how the danger has manifested itself:

During the four years from June 30, 1910, to June 30, 1914, the thirty-five railroad systems east of the Mississippi and north of the Ohio River expended for improvements nearly \$900,000,000. Yet, such was the increased expense of handling business that in the fiscal year 1914 these railroads earned net operating income less by \$90,000,000 than in 1910, before that cash investment had been made.

Must it not be apparent that had investors in the past realized the treatment they were to receive, they would not have provided the money for the building and development of our railroads?

And as the money for future railroad development must be supplied by private capital, is it not time that we took some thought for the morrow?

